

Message Text

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C O N F I D E N T I A L STATE 189594

E.O. 11652: GDS

TAGS: ETRD, UR, US, EMIN

SUBJECT: FOREIGN PARTICIPATION IN SOVIET ALUMINUM PROJECT

REFERENCE: MOSCOW (A) 10913, (B) 10557

1. PLANAGAN REVIEWED CURRENT STATUS OF THE KAISER-SOVIET DISCUSSIONS WITH KAISER ALUMINUM VP DONALD DUFFY, WHO ACCOMPANIED EDGAR KAISER DURING JUNE VISIT TO MOSCOW. DUFFY STRONGLY STATED THAT BALL HAS BEEN IN SOVIET COURT SINCE JUNE MEETING WITH SUSHKOV AND KOSTIN, WHEN BOTH SOVIETS INDICATED THAT THEIR SIDE HAD NOT YET COMPLETED REVIEW OF THE KAISER TECHNICAL AND COMMERCIAL PROPOSALS. SUSHKOV STATED THAT THE SOVIETS WOULD BE TELEXING KAISER WITH AN ADDITIONAL LIST OF QUESTIONS THEY HAD ON BOTH ASPECTS. AT THE JUNE MEETING THE SOVIETS ENVISIONED A FUTURE SCENARIO
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THAT INCLUDED A SUBSEQUENT SOVIET EVALUATION OF KAISER'S

RESPONSES TO THE ADDITIONAL QUESTIONS, FOLLOWED BY THE VISIT OF A SOVIET TECHNICAL DELEGATION TO OAKLAND. THE SOVIETS WERE INFORMED THAT KAISER WAS NOT PREPARED TO INVEST ANY ADDITIONAL FUNDS IN THEIR PROPOSAL UNLESS THEY RECEIVED FIRM ASSURANCES FROM THE SOVIETS REGARDING THE LIKELIHOOD OF THEIR BEING AWARDED THE CONTRACT. AS OF EARLY AUGUST, THE PROMISED SUSHKOV TELEX HAS NOT BEEN RECEIVED BY KAISER. THE COMPANY PLANS NO NEW INITIATIVES UNTIL THE TELEX IS RECEIVED

2. COMMENT. EDGAR KAISER WAS DESCRIBED AS BEING DISAPPOINTED IN THE WAY THE JUNE VISIT WAS HANDLED BY THE SOVIETS. THE SUSHKOV INVITATION STRONGLY IMPLIED THE SOVIETS WERE

PREPARED FOR FINAL NEGOTIATIONS, AND BROUGHT HARD PRESSURE ON EDGAR KAISER TO COME IN JUNE OR ELSE SEND HIS PERSONAL REPRESENTATIVE WITH COMPLETE NEGOTIATING AUTHORITY. UPON ARRIVAL IN MOSCOW, THE KAISER TEAM FOUND THE MINISTRY OF FOREIGN TRADE TOTALLY UNPREPARED FOR SERIOUS NEGOTIATIONS. THE FACT THAT THE MINISTRY OF NON-FERROUS METALLURGY APPARENTLY WENT ALONG WITH THE MINISTRY OF FOREIGN TRADE LEAD WAS AN ADDITIONAL DISCONCERTING ELEMENT. THE STATE COMMITTEE WAS NOT A PARTICIPANT IN ANY OF THE JUNE DISCUSSIONS, AND THIS MAY BE A PARTIAL REASON FOR GVISHIANI'S STATEMENT PARA THREE REFTEL A. DUFFY BELIEVES THE SOVIETS MAY EVENTUALLY DECIDE TO UNDERTAKE THE PROJECT THEMSELVES, SHOULD THEIR NEGOTIATIONS AND PLAYOFF TACTICS WITH PECHINEY, KAISER, ALCOA ET.AL. FAIL FOR ONE REASON OR ANOTHER. IN THAT EVENT, THE SOVIETS WOULD STILL PURCHASE LARGE AMOUNTS OF PRODUCTION EQUIPMENT FROM THE WEST. CONSTRUCTION OF INFRASTRUCTURE FACILITIES APPARENTLY ARE ALREADY UNDERWAY, NECESSITATING A RAPID SOVIET DECISION. THE KAMA PURCHASING COMMISSION'S SHCHUKIN HAS ALREADY SUGGESTED THAT HIS COMMISSION WOULD HAVE A MAJOR ROLE IN PLACING EQUIPMENT ORDERS IN THE U.S. FOR THE KRASNOYARSK/BLACK SEA PROJECT. SISCO

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